BEST COPY AVAILABLE

NHCNews Briefs

Industry Update

Somerville unveils largest unit

SOMERVILLE, Mass. — Somerville Lumber is scheduled to hold a grand opening for its largest store to date on Sept. 9. A "quiet opening" was held here on Aug. 1 for the store, which has 56,000 sq. ft. of showroom space, and 100,000 sq. ft. of warehouse space that is not open for customer browsing.

Without advertising, the store did over $150,000 worth of business during its first eight days. The store has been involved this month in training its 130 employees, 25 of whom were brought over from the chain's other two units to train the 105 who are new to the Somerville operation.

The store has a 15-ft.-wide center aisle, representing a departure from the 9-ft.-wide aisles of the older stores. It also sports a "warehouse look" in the form of bare steel girders and an exposed ceiling.

Steve Conley, a seven-year veteran of Somerville, was named store manager, from his previous position as manager of contractor sales at the company's unit in Somerville, Mass.

Moore's to open 4th whse

CHARLESTON, S.C. — Moore's, a chain of 88 stores operating in nine mideastern states, plans to hold the grand opening for its fourth warehouse store here this September. Another Moore's warehouse store in Virginia Beach, Va., should open later this year.

The Roanoke, Va.-chain, owned by Evans Products, held grand openings in Charlotte, N.C., this spring after opening its first warehouse store in February. (*NHCN*, March 26.)

The conversions are part of some 19 home centers that have been identified by Evans Products as candidates for conversion to warehouse stores by the end of this year. Most of these stores are in metropolitan areas of 500,000 or more.

While the typical Moore's unit does some $3 million annually, conversion to warehouse stores has already brought substantially greater sales. The warehouse stores are expected to eventually do some $10 million each in annual volume.

Conversion of a Moore's unit to a warehouse store has involved an average of $2.5 million in expenses. Of that amount, about $150,000 is spent on physical plant, including the removal of walls dividing warehouses, about $150,000 on fixturing, including the installation of H-frame racks, and the remainder in additional inventory.

Moore's warehouse stores have under 10,000 stock keeping units, a level which some observers feel makes achieving profitability tougher. These sku's represent only the faster moving items, which typically have lower gross margins because they are highly shopped.

Einfeld resigns at Home Depot

PHOENIX — Nick Einfeld resigned as the regional manager here for The Home Depot on Aug. 6, about eight months after joining the Atlanta-based chain.

During his stint at The Home Depot, Einfeld assisted in developing the Phoenix market, which the chain cracked into with two stores last Thanksgiving, and where it currently operates four units, including a 100,000-sq.-ft. unit, its largest.

"The job just didn't turn out to be for me," said Einfeld, who had previously worked for the Handy Dan chain from 1969 to 1982 and was president of W. R. Grace's Central region. He also briefly served as an industry consultant to a few West Coast chains.

He had not decided what his future plans would be.

National Home Center News

Financial News	6
Editorial	8
People	10
Lumber Report	12
Advertising & Marketing	**15-19**
Ad Angles	19
Lawn & Garden Supplement	**23-32**
Price Point Survey	30
Systems & Operations	**46-49**
New Products	50, 52
Classified	53-56

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December: by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 10., No. 17. Copyright© 1984 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10157. For change of address six weeks is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

, Vol. 10, No. 18 Aug. 27, 1984

Hardware show attendance brisk; retailers swarm Chicago setting

CHICAGO — Opening day traffic at the 39th annual National Hardware Show here was brisk, with on-site registration up 20% over 1983 figures, as contingents from home center, as well as, discount, supermarket and specialty chains, swarmed through McCormick Place West setting the pace for the busy five-day show.

This year's show was marked by a new thrust to push products aimed at the automotive aftermarket with 175 automotive exhibitors displaying their products, compared to 50 at last year's show. Show organizers also attempted to give new attention to 750 lawn and garden vendors and outdoor power equipment suppliers, providing approximately 20,000 sq. ft. of outdoor demonstration area to vendors.

The move was partly in response to the new International Lawn, Garden & Outdoor Power Equipment Exposition which debuted in Louisville in July (*NHCN*, Aug. 13). At least 15 major vendors in the category dropped out of the National Hardware Show this year.

Their withdrawal seemed to have little impact, however, on the mood of the show. Activity on the exhibition floor, which this year covered 689,000 sq. ft. among 2,900 exhibitors, seemed to reflect the brisk sales pace retailers have been experiencing for the first six months of the year. Expectations among chain executives on the floor were that the final half of 1984 would show sustained sales growth.

However, this has also been a frantic six months for many dealers as several key industry executives have switched jobs, moving to competitors. The sudden departure of Tom Leete from Home Depot for an opportunity at Homecrafters, at a time when Home Depot "is looking for four merchandisers and 200 operations people," according to executive vice president Pat Farrah, perhaps typifies the impact the surge in warehouse chains is having on the industry.

The warehouse competition is just one component of a changing industry that will demand more marketing expertise from dealers, manufacturers and wholesalers, said Richard Lambert, during his keynote address at the show on Monday. Lambert, the managing director of the National Retail Hardware Assn., with 36 years' experience in the hardware business, said the industry is changing from "a miles per hour to a mile per gallon business," with companies entering an era of "power marketing."

Because it was unlikely that the DIY industry would continue to grow at the annual compound rate of 13.4% it enjoyed from 1970 to 1984, it will be "critical," he said, for businesses to concentrate on "market share, and that usually means taking sales away from somebody."

Lambert urged dealers and suppliers to ~~place~~ greater emphasis on computerization, flexible marketing programs, new product development, consumer education in-store improvements and product line analysis for stronger margins and turnover.

He called retailers however, the "key" to industry growth over the next five years.

During the show, automotive vendors were seen in larger numbers than ever before, playing greater emphasis on the DIY market. "The challenge is to convince home centers that these products belong in their stores," said Mike Bommarito, specialized marketing administrator for AC Delco, a division of General Motors exhibiting at the show for the second time.

That some home centers are taking a more serious look at automotive products is evident from the 200% increase Quaker State has seen in its motor oil sales through home centers, according to Bill Anderson, the company's retail accounts manager. And Cecil Newman, president of Nu-Way Mfg., in Topelo, Miss., said his firm's truck trunk sales with chains like Hechinger, 84 Lumber, Payless Cashways and Central Hardware have been increasing over the past two years.

"We expect home centers to be even stronger outlets for our products and all automotives in the future," Newman said.

While grouping the automotives exhibitors together made shopping the show floor easier,

(Continued on page 57)

CPSC commish seeks voluntary safety standards

CHICAGO — Terrence Scanlon, a commissioner for the Consumer Products Safety Commission, told a gathering of manufacturing executives at this year's Hardware Show that his agency would be taking bigger steps next year toward encouraging the development of voluntary safety standards for home improvement products.

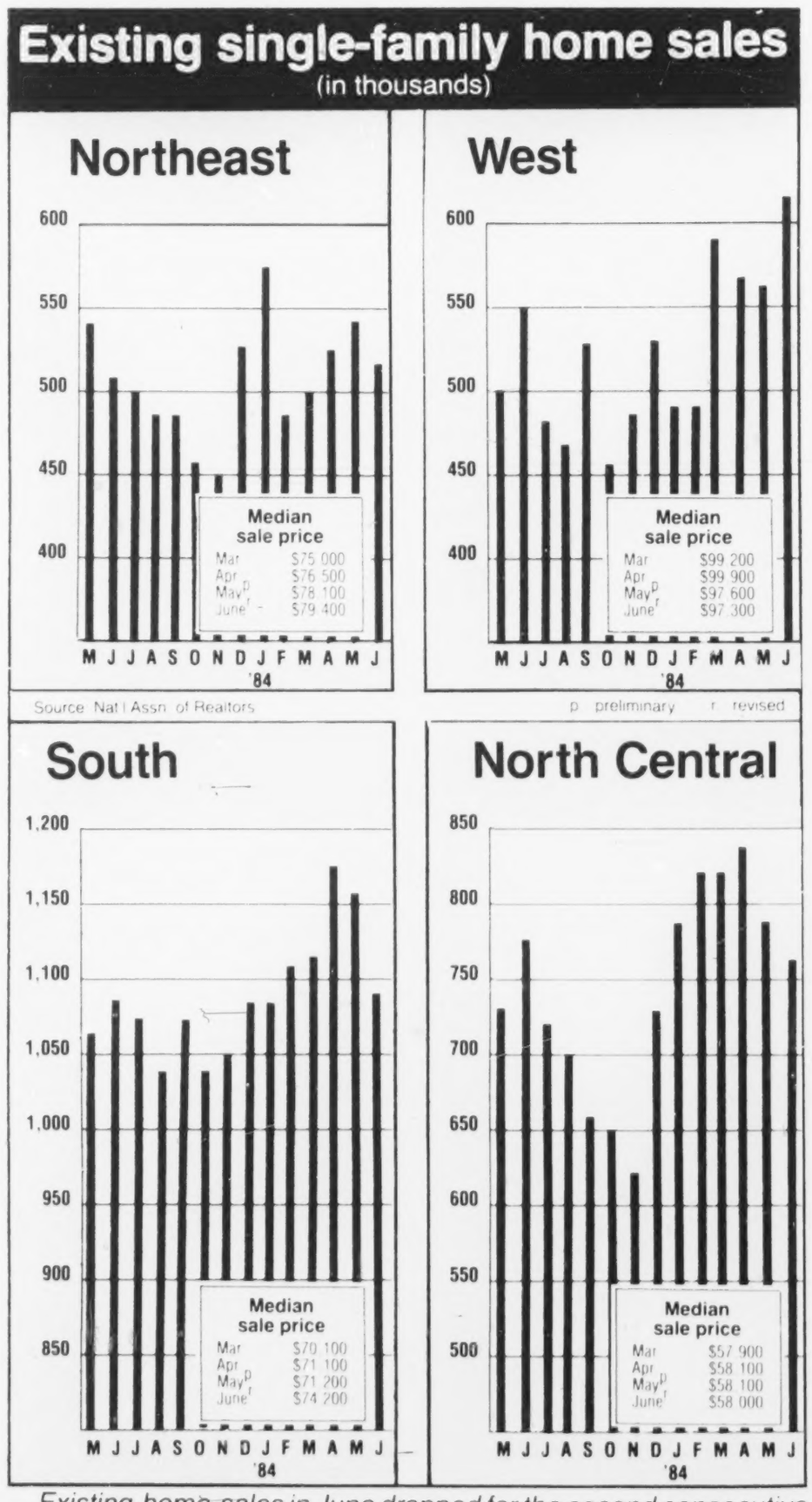
Specifically, he said that CPSC will establish the position of a permanent voluntary standards coordinator to strengthen the cooperative link that, he said, has grown between the commission and the business community.

The commission will also publish comments and debates on voluntary standards recognized by the CPSC, and will "reward" industries that address the safety issue substantively. He noted that the commission is seeking to improve voluntary compliance by industry to the standards and is offering assistance to companies getting voluntary standards to be recognized at the state and local regulatory level.

"Voluntary standards can never pre-empt state and local officials but we need to develop a system where one standard when agreed upon applies nationwide," he said. "In no way, though, does that mean that the Government is putting its nose under the voluntary standards tent."

Scanlon praised the efforts of the National Kerosene Heaters Assn., Nashville, Tenn., for the assistance it lent toward devising voluntary heater safety standards.

"Our working with the NKHA is an illustration of what can be done when there is cooperation between business and Government," he said.



Existing-home-sales in June dropped for the second consecutive month to 2.99 million units, seasonally adjusted, according to the National Association of Realtors.

Of the four regions, the largest decline was in the South which fell by 6% over May to 1.09 million units, seasonally adjusted.

The median sales price of an existing-single-family home rose by $1,100, reflecting the stronger summer demand for housing.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Michigan General	6/30-6 mon.	$220,400	$50,000	340.8	$2,810	$5,000	(43.8)
National Lumber	6/30-2nd qtr. 6/30-6 mon.	33,400 62,400	29,700 54,000	12.6 15.5	412 739	978 1,150	(137.3) (55.8)
Scotty's	7/28-4 weeks	30,635	29,589	4.0	—	—	—

*$ in thousands

Source: Company reports

STOCK PRICES

		As of 8/7	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		37⅝	45	32½	12
Edison Bros. Stores (NYSE) [Handyman, Homer's]		35	45	33¾	7
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		5⅜	16¾	4¾	—
Forest City (AMEX)	A	15¼	20⅛	13⅜	29
	B	15⅜	20½	13	30
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		42⅜	50⅜	36½	11
Home Depot (NYSE)		26⅛	31¾	14	53
Lowe's (NYSE)		21½	27½	16¼	14
Michigan General (AMEX) [Diamond Lumber]		6⅜	14	4⅝	64
Pay 'N Pak (NYSE)		16¾	20⅛	12¾	15
Payless Cashways (NYSE) [Furrow]		17⅞	29⅛	13½	14
Scotty's (NYSE)		12⅞	17¼	11⅜	10
Southwest Forest Industries (NYSE) [Knox Lumber]		15¼	22½	12¼	—
Standard Brands Paint (NYSE)		18½	24¼	16½	10

Nasdaq—over-the-counter stocks

		As of 8/7	52-week High	52-week Low	P/E Ratio
Color Tile		15¾	18¼	13⅝	—
Hechinger	A	18¾	24¼	13½	—
	B	19½	24½	14	—
Homecrafters Warehouse		14¾	17½	11¼	—
Pay 'n Save		18	29¼	14⅜	—

Over-the-counter stocks

	As of 8/7 Bid	As of 8/7 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18½	—	25¼	17
Hines Lumber	35½	37	41½	25½
Home Centers of America	10¼	10⅜	15½	6⅜
Scotts Seaboard [Scott's]	1⅜	1¾	5	1⅜
Wolohan Lumber	4⅝	4⅞	8	4

FINANCIAL NEWS

National opens 14th store; earnings plunge in 2nd qtr.

SANTA ANA, Calif. — National Lumber opened its 14th store in Covina, a Los Angeles suburb, Aug. 2, and separately reported a 15.5% sales increase for the first six months of 1984.

In the first half, sales increased to $62.4 million from $54 million for the same period a year ago. However, earnings declined 55.8%, to $739,000, or 13¢ a share, compared with earnings of $1.15 million, or 26¢ a share, for the same period in 1983.

In the second quarter, sales increased 12.6% to $33.4 million compared with sales of $29.7 million for the year-earlier period. Earnings dropped 137.3%, to $412,000, or 7¢ a share, compared with $978,000, or 22¢ a share, for the second quarter of 1983.

Mel Jaffee, National's president, said in a statement that "Competitive pressures in the southern California home improvement industry have narrowed our margins, leading to our income reduction."

Jaffee continued, "We are in the process of adjusting our prices to reflect new market conditions, and this should lead to increased margins in the last half of 1984. We will also reduce overhead as we open new facilities and streamline operations."

During the first quarter, National opened a store in Culver City, Calif., and Jaffee said it is becoming "one of our largest volume producers."

He said the next store to open will be in Ontario, followed by San Bernardino, Calif.

Diamond sales up 39% in first half of 1984

DALLAS — Michigan General, which begins a remodeling and remerchandising program for its 97-unit Diamond Lumber chain this month, reported a 39% sales increase for the stores during the first six months of 1984.

Michigan General, which acquired the chain last fall from Diamond International, said Diamond Lumber's sales for the January-to-June period were $164 million, compared with its sales of $118.4 million for the same period in 1983.

Overall, Michigan General reported net income for the six months ended June 30 of $2.81 million, or 21¢ a share, on sales of $220.4 million, compared with income of $5 million, or 89¢ a share, on sales of $50 million, for the comparable year-earlier period.

The company's other divisions include Allied Department Stores and Krestmark, a manufacturing subsidiary.

Scotty's July sales up 4% to $30.6M

WINTERHAVEN, Fla. — Scotty's, which operates 110 stores, had sales of $30,634,544 for the four weeks ended July 28, an increase of 4% over sales of $29,589,495 during the same period last year.

At that time the company operated 103 stores and its sales were 28% over the corresponding span in 1982.

Compared with the strong sales surge a year ago, the 4% gain this July reflects flat comparable store volume and an increase in store count.

Builder sales were stronger than consumer, according to Ray Cooney, president and coo, who noted, "In both areas of our business, there are signs of cautious buying reflecting uncertainty about interest rates and the general economy."

You've heard the saying, "It pays to advertise." Well, at Bostik Consumer Division, we're giving that old slogan a whole new meaning.

We're going to pay you to advertise America's Number 1 Brand Rivetool, the POP® brand. And we won't just pick up part of the cost, we'll pick up a hundred percent.*

Just take one of our fresh, new POP Rivetool newspaper ads, add a special price, and make it a part of your newspaper and flyer program. Then watch the POP brand Rivetool move.

*Get all the details on how to qualify for this limited time offer. Contact your local Bostik Consumer Division representative. Or call us at 215-921-2791.

FREE ADVERTISING

Bostik
CONSUMER DIVISION
Reading, PA 19605 EMHART

MANUFACTURERS and SHIPPERS!
A SINGLE SOURCE FOR:
- Wood Lath
- Pine Boards
- Furring Strips/1x2—1x3—2x2
- Pressure Treated Landscape Timbers
- Cedar Shingles/Shims
- Pre-Fabricated Wood Fencing
- Cypress Mulch
- Snow Fence/Corn Cribbing
- Pine Bark Nuggets

Mixed and Pool Trucks Available
FOUR SALES OFFICES
For Immediate Service Call
313-626-2322
MID-AMERICA
MID AMERICA
P.O. Box 2973
Farmington Hills, Mich.
48018

LUMBER REPORT

Lumber industry reacting slowly to recovery rumblings on Wall St.

NATIONAL REPORT — Could it be? The lumber story this summer has been about an industry down so long there was no place to go but up. Comments late last month by Federal Reserve Chairman Paul Volcker fueled hope that perhaps the rebound is at hand.

The stock market lost no time in bouncing to the welcomed news that, while the economic recovery is strong, it does not threaten an increase in inflation and therefore a tightening of the money supply is not warranted.

While the stock market bounced at record levels, the movement in lumber prices provided more of a blip. Other forces were at work.

Institutional investors may have welcomed Volcker's comments July 24, to the Senate Banking Committee, as signaling a brave new world for stock prices in 1984, however, the simple fact for the lumber business is that the message came late in the building season.

The lumber market became more active early this month, but, according to Random Lengths associate editor David Bartel, "what's been missing is any real snap in the wholesale market."

"The market is better. Mills have order files," he added. "The market is healthier than it has been since March."

Although early this month it still seemed like retailers were continuing their pattern of maintaining lean inventories and buying carefully, there was the blip in prices.

In the last week of July the framing lumber composite was $182 per thousand board feet. By the first week of August that price has risen to $188.

Similarly, Western s-p-f studs increased from $134 per thousand board feet to $139 in the first week of August and the plywood price composite rose from $208 per thousand square feet to $216. All numbers are Random Lengths prices.

Clearly there has been improvement. While price movement upward was moderate early this month, the big news was that the movement was in that direction.

Afterall, s-p-f prices had been flirting with the low price levels reached during the last recession. For example, s-p-f studs at $134 per thousand board feet at the end of July were off from $219 a year ago and only $15 off the recession low of $119, which occurred in September 1982.

How long will this rally last? Obviously that depends on whose crystal ball is used. Don Zwanzig, a futures trader with Stotler and Co., Spokane, Wash., predicted that s-p-f 2x4s could hit $150 by mid-August, only to retreat to near $100 by October.

According to Zwanzig, the blip in lumber prices was merely "the same seasonal buying trap . . . the early August rally."

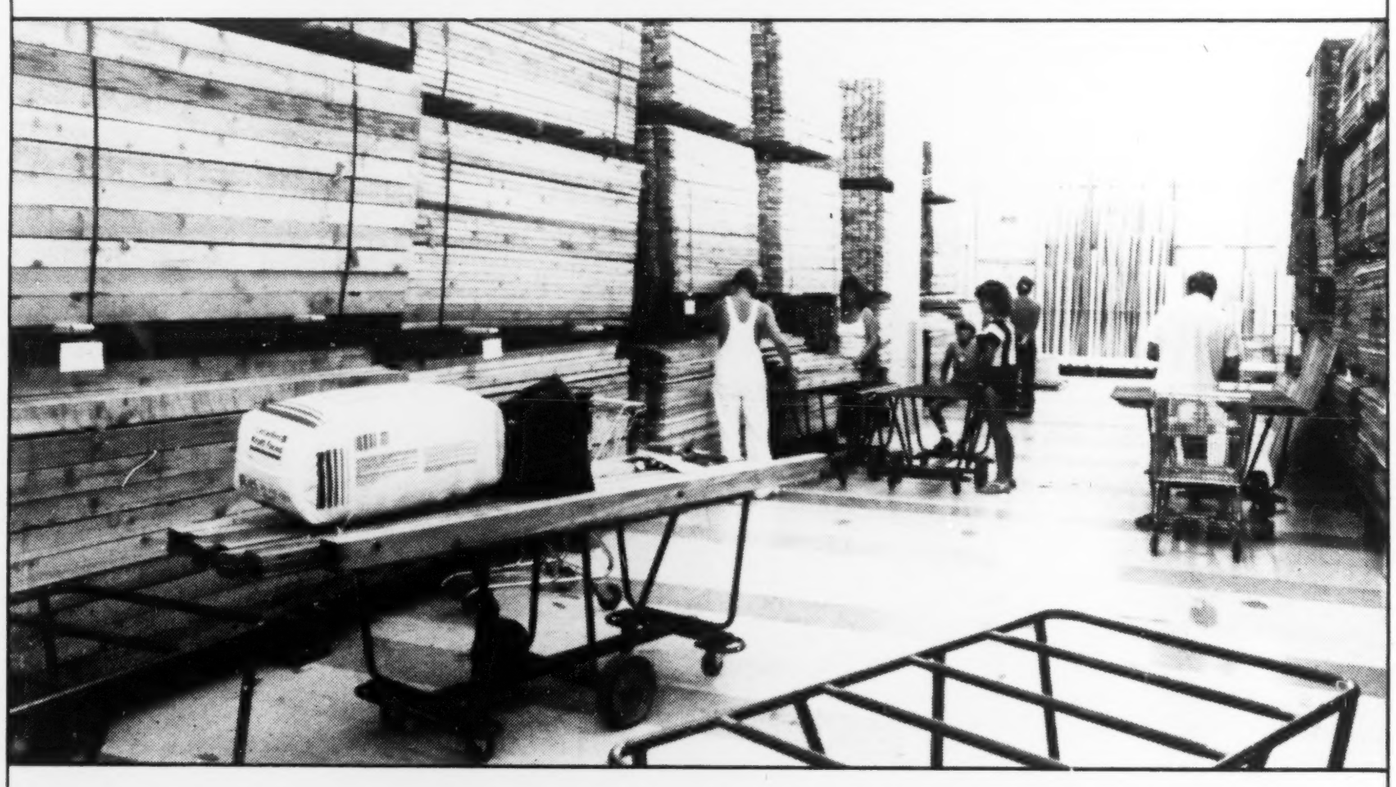
At the same time, however, the usually bearish Palmer Lumber & Plywood Forecast suggested that if the economy responds to Volcker's remarks with an interest rate decline of 0.5% or more, "attitudes could change prompting inventory building."

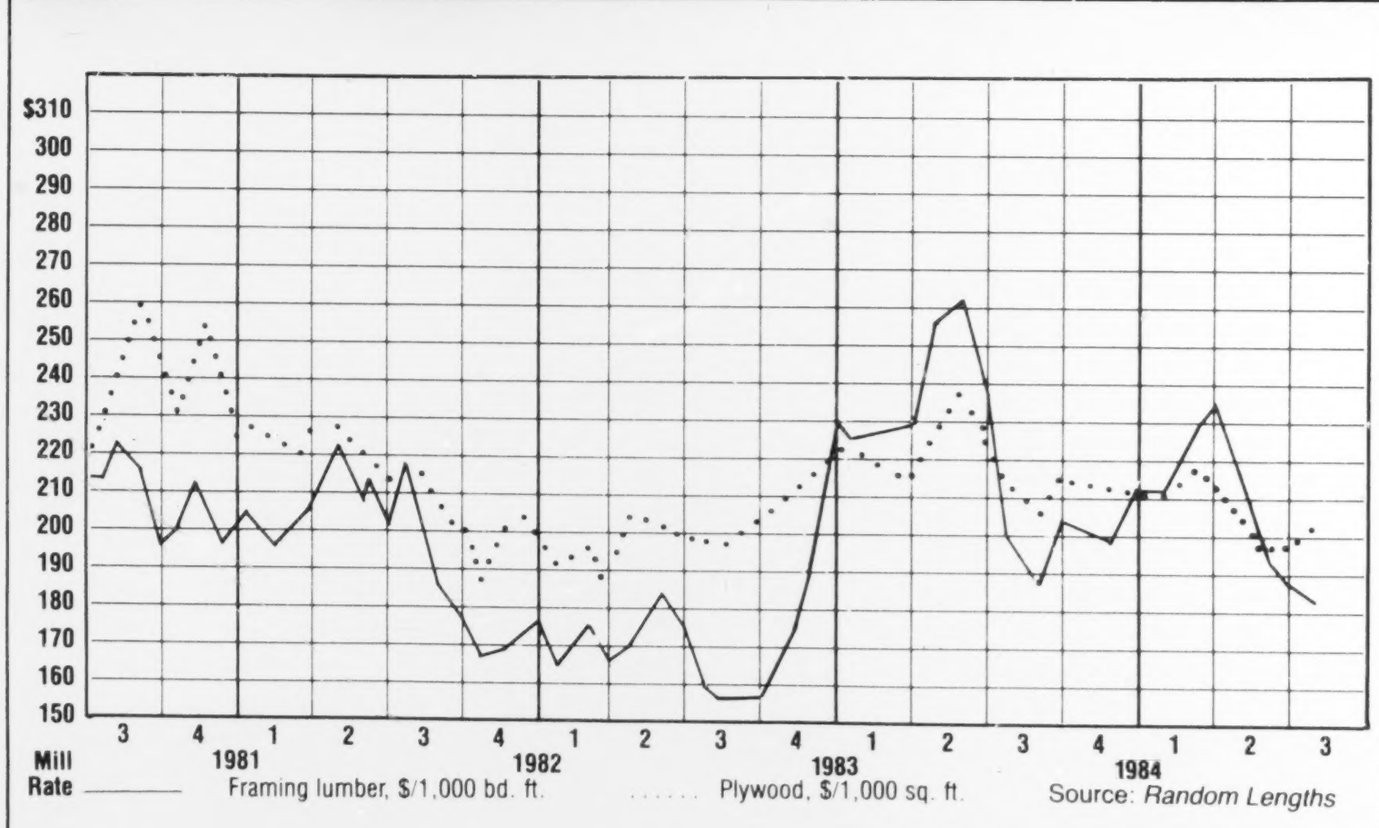
Forecast editor Chris Palmer noted, "Business has continued to be a great deal stronger than anyone expected. As a result dealers are being forced to cover their immediate needs now."

Additionally, as buyers increase orders at the mills, lower interest rates could allow mills to hold wood off the market to raise prices, Palmer suggests. In this scenario the market could rise $40 per thousand board feet, according to Palmer.

"It would not take much to move prices back to the $140-$145 level," he notes. "This would merely represent a $20 rally after a $70 drop."

Composite lumber/plywood price profile





Source: *Random Lengths*

The lumber composite price continued its downward trend last month, averaging $183 per thousand board feet.

Plywood, which had leveled somewhat, rose to $204 per thousand square feet.

Forecasts for August prices were optimistic as the month opened with a seasonal buying rally spurred by industry confidence that interest rates would level, based on comments to Congress by Federal Reserve chief Paul Volcker.

The framing and plywood composite numbers are based, respectively, on Random Lengths' weighted averages of nine key lumber and seven key plywood items.

Depend on the difference in Blandex® structural waferboard.

In fact, insist on it! Blandex® waferboard is made from wood wafers precision cut from whole logs. The wafers are bonded together under heat and pressure with phenolic resin.

Great for outside use when sealed properly. And it costs less than comparably sized plywood. You can use it anywhere for major jobs or minor projects.

Because Blandex® is basically a wood product, you can nail it, staple it, drill it, sand it, file it, plane it or saw it.

But you can't beat it for price, performance or practicality.

Stock it. Today.

Accepted by all major building codes and a growing list of consumers.

Codes: FHA/HUD 918b
BOCA 82-71
ICBO 3650
SBCC 8355

Sizes: 4'x8' to 8'x28'

Thickness: 1/4, 5/16, 3/8, 7/16, 1/2, 5/8 and 3/4 inches

BLANDEX building products

Blandin Wood Products Company
502 County Road 63
Grand Rapids, MN 55744
(218)327-6354

BLANDEX

BEST COPY AVAILABLE

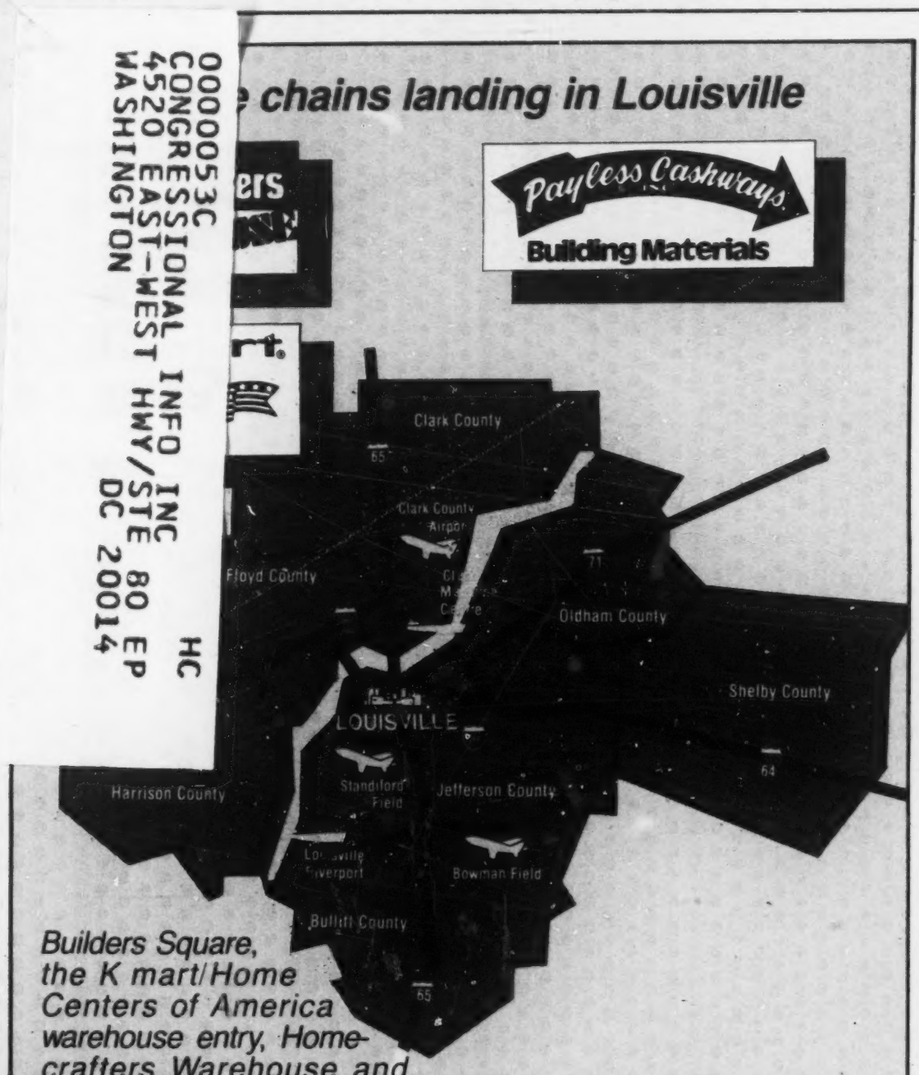
CS150-6

MERCHANDISING FEATURE:
L&G feeds Build & Grow expansion—pp. 19-24

National
Home Center News ®

Vol. 10, No. 19 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | Sept. 10, 1984

000005 3C
CONGRESSIONAL INFO INC
4520 EAST-WEST HWY/STE 80 EP
WASHINGTON DC 20014
HC



Builders Square, the K mart/Home Centers of America warehouse entry, Homecrafters Warehouse and Payless Cashways have all targeted the Louisville market.

Levy's, 84 Lumber, Lowe's brace for chain onslaught

By Linda Lynton Carnevale
NHCN field editor

LOUISVILLE, Ky. — Across the parking lot from Levy's Lumber here on Dutchman Lane, an abandoned CSC discount store is about to get a new lease on life. Its new tenant: K mart, which, with the recent acquisition of Home Centers of America, is considering using the site to open a bristling new warehouse home center.

For Phil Levy, president of Levy's Lumber, the possibility of gaining a competitor for a neighbor is only the beginning of a bigger problem he and his three-store chain are facing:

Within the next 16 months, Payless Cashways is expected to pounce on Louisville with four stores; Homecrafters has slated the debut of two warehouse home centers, and K mart/HCA are reportedly prepared to open at least one and possibly two Builders Square warehouses.

For some of Louisville's home center executives, as well as for town officials, the impending inundation of new home center operations comes as somewhat of a mystery.

"I've no idea why these stores are moving in," replied

(Continued on page 60)

Busy Beaver growth plan: build 5 warehouses a year

By Phillip M. Perry
NHCN associate editor

PITTSBURGH — Determined to strengthen its merchandising posture among consumers while moving into new markets, Busy Beaver Building Centers plans to open three new warehouse stores next year, and five annually for at least the following four years.

The new stores are expected to help the chain nearly triple its annual volume to some $250 million over the next five years, according to chain president Jack Fagen.

"The opportunity is there," said Fagen, explaining the reason behind the new construction drive. "There are still some major markets available that have not been tapped for this kind of [warehouse] retailing. It's important to get into those markets quickly, before the competition."

While Fagen would not speculate on the locations of the new markets, he noted that there were "no outside limits" to where the chain might expand. Currently moving some $87 million worth of merchandise annually, the company's 24 stores are now located primarily in western Pennsylvania and eastern Ohio.

Because all of the company's new stores will be oriented toward do-it-yourself (DIY) sales (sales to contractors will be made only on a cash basis), Fagen feels the company's mix of DIY sales, now 75%, should rise to about 90% over the next five years. Five years ago, consumer sales accounted for only 25% of chain volume.

A key element in the new expansion program is a prototype warehouse store plan developed over the past two years as

(Continued on page 59)

Wickes Lumber unveils software for chainwide kitchen design plan

VERNON HILLS, Ill. — Wickes Lumber has launched a new computer-assisted design service using a customized software program that produces lifelike illustrations of kitchen options for consumers. Wickes officials said the chain expects to install computers using the system in all of its stores over the next 12 months.

The $814 million subsidiary of Wickes Companies was scheduled to have the system, which it calls Comp-U-Kitchens, installed in eight stores across the nation by the first of this month, after running initial tests in three stores this spring.

Builders Emporium, Irvine, Calif., a division of Wickes, has not yet decided whether to utilize the system.

The program differs from computer assisted design (CAD) systems reaching the market (*NHCN*, Aug. 13) by offering line drawings of how finished kitchens will appear. These drawings include details such as styling of cabinet doors and dishwasher panels, sink faucet stems, refrigerators and cookie jars.

While viewing these drawings on the computer screen, customers can have the salesman alter the design and placement of cabinets and appliances. As such changes are made, the computer automatically adjusts the total price for the package being viewed.

Once the customer is satisfied with the picture on the screen, a salesman punches a button and the computer prints

(Continued on page 60)

NEWSBREAKS

WICKES GAINS CONTINUE. Wickes Cos., which is preparing to emerge from Chapter 11, recorded sales and earnings gains for the second quarter. Net income rose 4.3% to $12.2 million on sales of $805.5 million, a 7% increase.

INSIDE:

HOUSING STARTS PLUNGED 6.6% in July ..... Page 2
CONSULTANTS are being sought by more home center retailers who seek outside expertise on a variety of topics..... 3
MANY OVERSEAS VENDORS used last month's National Hardware Show to test the American market..... 3
HOME CENTERS OF AMERICA stockholders will meet later this month to vote on the HCOA/K mart merger plan 15
NATIONAL HARDWARE SHOW photo roundup..... 48, 55

Hines prototype bolsters retail image

By John Caulfield
NHCN senior editor

EAST DUNDEE, Ill. — Edward Hines Lumber Co. has opened a 23,000-sq.-ft. "quasi-warehouse" home center here, that will serve as the prototype for future remodeling and expansion of the 26-unit, Chicago-based chain.

Hines expects to retrofit three-quarters of its stores by year's end using this format that includes a new race track-style store layout, a computerized inventory management system (see story, page 39), bold endcap graphics and department signs and a much broader assortment of lumber and building materials to be sold in the store as opposed to the outdoor lumberyard.

"The objective is to get as much under roof as possible, and our whole intent is to make the store more efficient by emphasizing in-store service," said Edward Maidment, an 11-year veteran of Wickes Lumber who joined Hines in January as its director of operations.

Also coming on board late last year was former Wickes Lumber area vice president Curt Powell, who is now Hines' senior vp-merchandising.

Maidment said that 80% to 85% of the East Dundee unit's 7,800 stock keeping units are being sold in the store, compared with around 55% for a typical Hines store, and it represents the first time the chain has brought lumber into the store in large quantities.

Six species of hardwoods sold in 1x2-ft. to 1x12-ft. lengths have been added, compared with two species in limited lengths carried in the other stores, and East Dundee's kitchen cabinet and hardware departments also have been beefed up and made deeper. The chain is also phasing out its affiliation with the Cotter & Co. distribution network, and will buy more of its products direct from manufacturers.

Edward Hines has broken down the unit's product mix into 77 categories, compared with the 30 tracked in its other stores, to better analyze sales and item movement and to orient the store's merchandising toward attracting a wider consumer base. The store's volume is projected by Maidment to hit $5.5 million in its first year, with 70% coming from retail sales. Chainwide, Hines' stores do $3.4 million each, and get more than 40% of their volume from contractors.

The store had a quiet opening

(Continued on page 59)

Roy Wille, manager of Hines' new East Dundee, Ill., unit: "Over half our floor space is devoted to lumber (former kept outside), compared to only a third at our older stores." NHCN photo

NHCNews Briefs

Industry Update

HomeClub to open 3 new whses

LONG BEACH, Calif. — Three-unit HomeClub plans to have three more warehouse home centers in operation by Oct. 20—the chain's one-year anniversary date, according to George Handgis, executive vp.

The new warehouses—each containing approximately 100,000 sq. ft. of selling space—are in San Jose, Fullerton and San Bernardino. The San Bernardino site is the chain's first build-to-suit; San Jose is an ex-Zodys discount store and Fullerton is a former J. C. Penney outlet.

Handgis said early next year HomeClub will relocate its corporate offices in Long Beach to the Fullerton site. He added that HomeClub plans to open eight units in 1985. New markets for HomeClub expansion include Santa Rosa (north of San Francisco) and Sacramento.

HomeClub is currently working with the New York investment firm of Donaldson, Lufkin and Jenrette to raise more than $10 million in a private placement intended to raise capital for future expansion.

Court sets Wickes hearing date

LOS ANGELES — A long-awaited hearing to confirm Wickes Cos.' reorganization plan has been set for Sept. 21 in the United States Bankruptcy Court here.

The 8 a.m. hearing before Bankruptcy Court Judge William Lasarow will take place in Courtroom H on the ninth floor of the United States Courthouse, 312 N. Spring St., a Wickes spokesman said.

If the plan is approved at the confirmation hearing, Wickes would not actually emerge from court protection under Chapter 11 of the Federal Bankruptcy Code until January 1985, when the plan would formally become effective.

However, the Wickes spokesman said that dates will be set for the first cash distribution to creditors at the hearing. Results of balloting on the reorganization plan by Wickes creditors, shareholders and bondholders are also expected to be revealed at the hearing.

Wickes has been operating under court protection since April 1982.

Entz-White files for Chapter 11

PHOENIX — A drop in summer business and increased competition stimulated by the market entry of The Home Depot has forced single-unit Entz-White Lumber & Supply to file for Chapter 11 reorganization.

The company, which has 1982 estimated sales of $5.4 million, filed for reorganization in U.S. District Bankruptcy Court in Phoenix on Aug. 17, said Tom Elliot, general manager.

Entz-White, founded in 1952 by John Entz and Bish White as a lumberyard and hardware store, has been phasing out of the home center business in recent months as a result of the increased competition, Elliot said.

Entz-White stopped selling lumber in January, he said. The store now has an unusual mix of gifts, clothing, housewares, hardware items and paint.

In June, Elliot said, as part of a "switch to a department store look," the company spent about $1 million in remodeling and expansion. But an unexpected drop in business in July caused a cash-flow problem and forced Entz-White to seek court protection.

National Home Center News

Financial News 6
Editorial 8
Washington View 8
People 10
Lumber Report 12
Lumber Futures 12
Price Point Survey 15
Merchandising **19-30**
Advertising & Marketing **31-36**
Home Center Marketing Strategies 35, 37
Calendar 37, 39
New Products 38, 43, 47
Systems & Operations **39-41**
New Systems & Operations Products 41
Classified 56, 57

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 10., No. 17, Copyright© 1984 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10157. For change of address six weeks is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 10, No. 19 Sept. 10, 1984

Poor Southern weather dampens Home Depot stock on Wall Street

ATLANTA — "Extremely bad" weather in The Home Depot's major markets of Georgia, Florida and Louisiana during July will result in "flat" earnings for the second quarter, chairman Bernard Marcus said.

The Home Depot reported second quarter earnings of $3.8 million or 15¢ per share compared with $3.4 million or 13¢ per share a year ago.

Marcus' announcement on Aug. 17 sent The Home Depot stock plunging on the New York Stock Exchange. It had closed on Aug. 16 at 22¾, and reopened Friday—after the announcement—at 15. The stock closed that day at 16⅛ after more than 2.57 million shares had changed hands, making The Home Depot the most actively traded N.Y.S.E. stock.

The stock continued rising the following week, closing at 17 on Aug. 22.

Earlier, Marcus had reported sales of $119 million for the second quarter, adding that comparable-store sales were ahead 16% for the quarter.

In a statement, Marcus said customer traffic and sales "were blow our expectations. In anticipation of those sales, we had taken an aggressive promotional position and the results were that a higher proportion of promoted merchandise was being bought by our customers. This had the effect of lowering gross margins to below our plan."

Marcus said, however, that he expected the full-year profits to rise at least 20% from last fiscal year's $10.3 million, or 41¢ a share.

July housing starts falter under burden of higher interest rates

WASHINGTON — Single and multifamily housing starts fell 6.6% in July to a seasonally adjusted annual rate of 1.761 million, while building permits plunged 11.7% to 1.562 million, according to the Commerce Department's Census Bureau.

July's decrease in housing starts follows a 5.1% increase in June and an 11% drop in May. The July figure is the lowest rate since March when poor weather and the unusual strength of February's 1984 peak of 2.26 million were blamed for the decline. The monthly building permit rate has not been this low since September 1983.

Single family starts declined 10.1% in July to an annual rate of 982,000, the first time single family starts have fallen below the annual rate of one million since December 1982, according to the Commerce Dept.

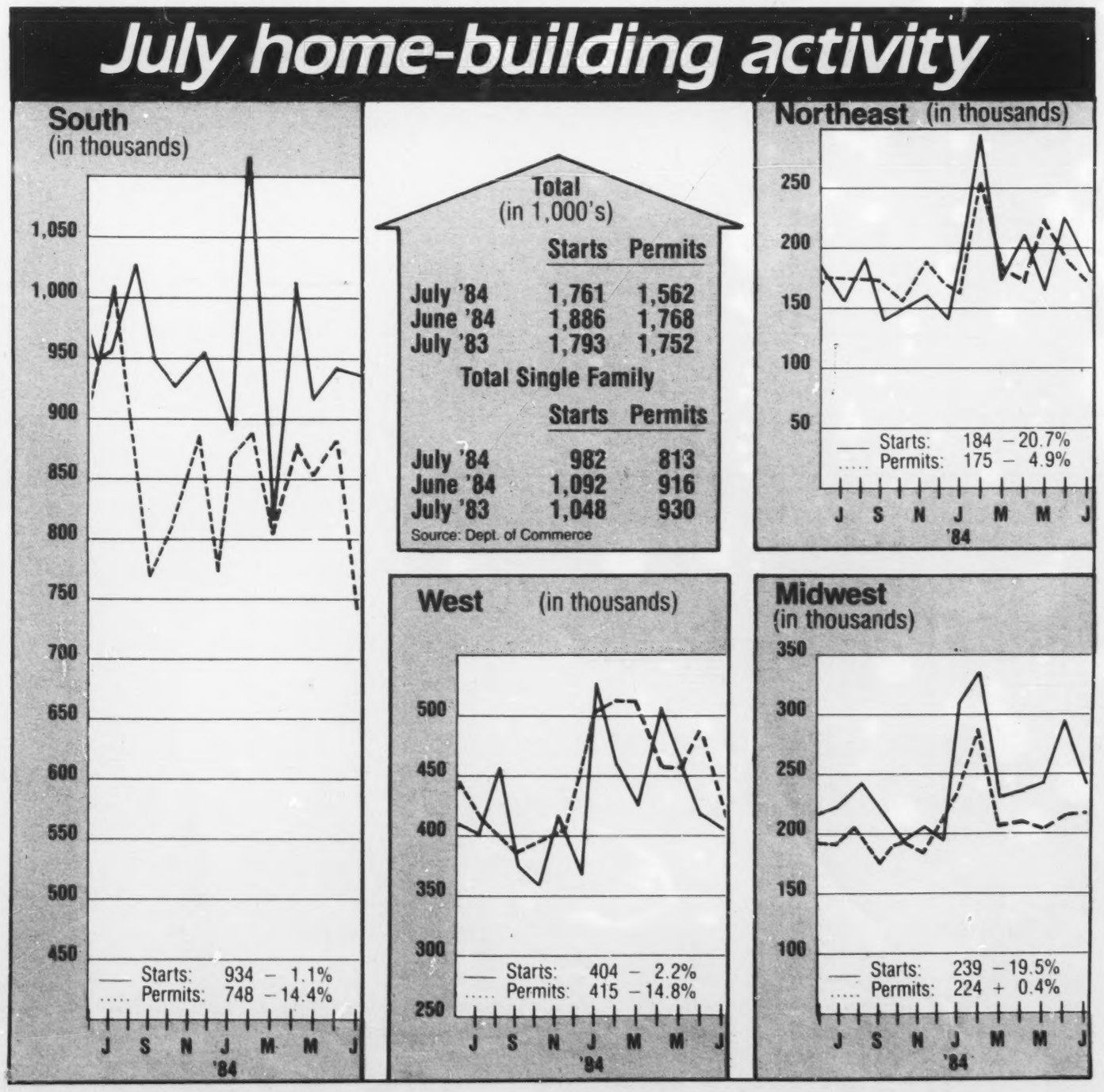
"The housing industry is clearly showing signs of weakening under the heavy weight of high mortgage interest rates," said Dr. Jack Carlson, chief economist for the Natinal Assn. of Realtors, an association of 600,000 real estate professionals based here.

Mortgage interest rates in June stood at 15% for fixed rate home loans and just above 13% for adjustable rate loans.

"Although long-term interest rates have decreased slightly in recent weeks, apparently due to a downward revision in inflation expectation among investors in the credit markets, they can be expected to continue their gradual upward trend in the months ahead," said Carlson. He predicted that excessive Federal borrowing to finance its huge deficits this year and next, as well as growing private credit demands, will keep upward pressure on interest rates through 1985.

On the long-term picture for housing starts, Carlson said the seasonally adjusted annual rate is likely to drop to 1.5 to 1.6 million units by the fourth quarter of this year and to less than 1.5 million by the third quarter of 1985. For all 1984, housing starts are expected to total nearly 1.8 million, while 1985's total should fall to less than 1.5 million, Carlson predicted.

About 62%, or 1.1 million of the housing starts projected for 1984 are likely to be single-family homes, while 61%, or 908,000, of the total housing starts in 1985 are likely to be single-family units, he said.



Total housing starts dropped 6.6% in July to a seasonally adjusted rate of 1.76 million units, from June's revised figure of 1.89 million starts. Building permits, which can presage future home-building trends, also fell in July—to 1.56 million, an 11.7% plunge from the previous month.

Single family starts and building permit figures took similar dives in July: Single family starts were off 10.1% to a seasonally adjusted rate of 982,000; single family building permits fell 11.2% to an annual rate of 813,000. The Northeast and Midwest regions of the country experienced the biggest decreases in starts. The South and West, while holding family steady in starts, experienced sharp declines in building permits.

BEST COPY AVAILABLE

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Edward Hines	6/30-2nd qtr.	77,424	69,129	12.0	801	1,511	(47.0)
Erb Lumber	6/30-2nd qtr.	43,191	38,056	13.5	1,262	1,094	15.4
Evans Products retail group	6/30-2nd qtr.	297,700	261,140	14.0	18,700	27,910	(33.0)
Homecrafters Warehouse	7/31-2nd qtr.	43,300	30,622	41.4	500	633	(21.0)
Scotty's	6/30-1 yr. 6/30-4th qtr.	424,500 114,021	359,746 107,023	18.0 7.0	18,000 5,284	11,250 4,176	60.0 9.0

*$ in thousands

Source: Company reports

STOCK PRICES

		As of 8/20	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		38¾	45	32½	12
Edison Bros. Stores (NYSE) [Handyman, Homer's]		34½	44¾	33¾	8
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		5½	16	4¾	—
Forest City (AMEX)	A	16¼	20⅛	13⅜	—
	B	15⅝	20½	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		42⅞	50⅜	36½	11
Home Depot (NYSE)		15½	31¾	14	32
Lowe's (NYSE)		19¼	27⅜	16¼	13
Michigan General (AMEX) [Diamond Lumber]		7⅝	14	4⅝	76
Pay 'N Pak (NYSE)		15⅞	20⅛	12¾	14
Payless Cashways (NYSE) [Furrow]		15⅝	27½	13½	12
Scotty's (NYSE)		13⅞	17	11⅜	10
Southwest Forest Industries (NYSE) [Knox Lumber]		16¾	22½	12¼	—
Standard Brands Paint (NYSE)		18¼	24¼	16½	10

Nasdaq—over-the-counter stocks

		As of 8/20	52-week High	52-week Low	P/E Ratio
Color Tile		15	18¼	13⅝	—
Hechinger	A	17¾	24¼	13½	—
	B	18¼	24½	14	—
Homecrafters Warehouse		11¾	17½	11¼	—
Pay 'n Save		15⅞	29¼	14⅜	—
National Lumber		6⅛	13¼	5½	—

Over-the-counter stocks

	As of 8/20 Bid	As of 8/20 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	20½	22	25¼	17
Hines Lumber	35½	—	41½	25½
Home Centers of America	10½	10⅝	15½	6⅜
Scotts Seaboard [Scott's]	1¾	2¼	5	1⅜
Wolohan Lumber	4⅜	4½	7½	4

GOOD VALUE. GOOD TURN.

JX-7® wood windows and patio doors give you name brand styling and performance at a lower cost. That's good value — the kind of value that means increased profits for you. Our new floor display and literature system works as your "salesman" and helps you move the JX-7 line fast. It's a full-size working display, and it's modular so you can decide which of the full line of JX-7 products to feature. Nationally-distributed JX-7 windows and patio doors are regionally produced so you can be sure of continued availability and fast delivery, even in boom times.

Call David Lindgren at 614/397-3403 or write JELD-WEN, INC., Mount Vernon, OH 43050 for more information.

WENCO JX-7® WOOD WINDOWS AND PATIO DOORS

FINANCIAL NEWS

Homecrafters net earnings drop 21% in 2nd quarter

BIRMINGHAM, Ala. — Preliminary results show that Homecrafters Warehouse earnings for the second quarter ended July 31 fell about 21%, to about $500,000, or 22¢ per share, company officials said.

Chairman and president George Hanzi said, based upon preliminary information, second quarter earnings were impacted by a general sales softness experienced by the industry and various real estate and construction problems which delayed opening several warehouse stores.

The company recorded sales of $43.3 million in the quarter, a 41.4% increase over the prior year's quarter, but about 6% off plan, Hanzi reported.

Earnings were further impacted by expenses of $730,000 associated with the opening of four new warehouse stores. Hanzi said earnings figures for the first Denver warehouse store, opened in May, had to reflect all of the grand opening and regular advertising expenses in the market until the second Denver store opened on Aug. 9. Similarly, Hanzi continued, the first Nashville warehouse store opened in July and is also absorbing all the Nashville market advertising expenses until the second Nashville store opens in September. Advertising expenses in the second quarter were 6.8% of retail sales compared with 3.8% in the first quarter.

Hanzi said he is optimistic for the second half of the year.

Home Depot records 79% sales increase for second quarter

ATLANTA — The Home Depot posted sales of $119 million for the second quarter ended July 29, a 79% increase over sales of $66.6 million for the same year-earlier three-month period.

Chief executive Bernard Marcus said comparable store sales were 16% ahead of the second quarter of last year. During the second quarter, The Home Depot opened stores in Tucson and Phoenix.

Sales for the six-month period were $214.9 million, an increase of 96% over the first half of fiscal 1983 sales of $109.6 million. For the half, comparable store sales were 18% ahead of the year-earlier's first six months.

Falling lumber prices affect Hines earnings

CHICAGO — Edward Hines Lumber earned $801,000, before a $90,000 tax loss carryforward, on sales of $77,424,000, for the three months ended June 30.

While sales were up 12% from the second quarter a year ago, income was off 47%.

Hines attributed the drop in earnings to the precipitous fall in lumber prices that affected the company's wholesale distribution centers, which reduced their lumber inventories.

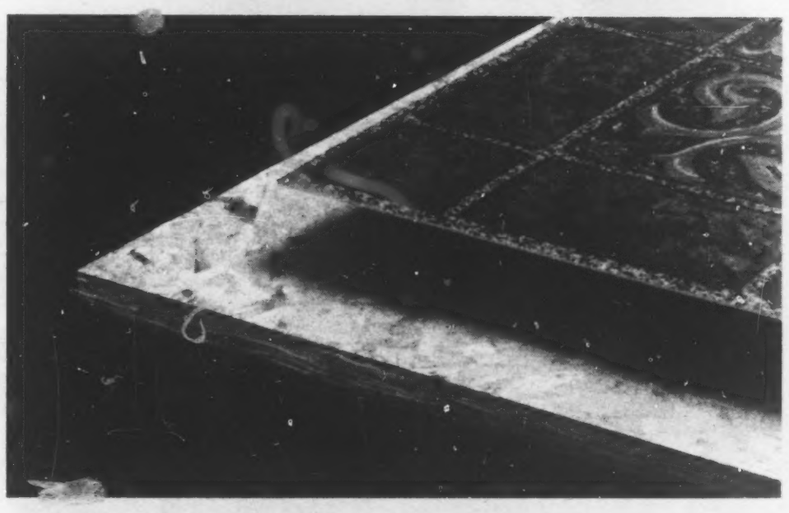
This year's second-quarter results include those of The Kindt Corp., which Hines acquired on April 1. This acquisition, along with aggressive advertising and a new prototype, are expected to continue the improved sales and earnings shown by the Hines home centers during the second quarter.

For the first six months, ended June 30, sales were up 9% to $126.9 million. However, net income, before a $90,000 tax loss carryforward, came to $105,000 compared to $625,000 a year ago or $6.6 million including a tax benefit and other accounting adjustments.

MANUFACTURERS and SHIPPERS!
A SINGLE SOURCE FOR:
- Wood Lath
- Pine Boards
- Furring Strips/1x2 — 1x3 — 2x2
- Pressure Treated Landscape Timbers
- Cedar Shingles/Shims
- Pre-Fabricated Wood Fencing
- Cypress Mulch
- Snow Fence/Corn Cribbing
- Pine Bark Nuggets

Mixed and Pool Trucks Available
FOUR SALES OFFICES
For Immediate Service Call
313-626-2322
MID-AMERICA
MID AMERICA
P.O. Box 2973
Farmington Hills, Mich.
48018

Together, at last



Finally, an underlayment free of core voids, splinters, patches. Sure to please you and your customers is Blandex's® new ¼" underlayment panel. Smooth and consistent, Blandex® waferboard is sanded to a thickness of .250 inch ±.005 tolerance.

Blandex® is the ideal underlayment panel because it has less linear expansion than other comparable underlayment panels.

Limited warranty, too.
Won't warp, buckle, or delaminate. Won't split or crack when nailing or stapling.

Ah-hhh. Trouble-free floors and Blandex® underlayment. Together, at last.

(Contains no urea formaldehyde.)

TECO stamped
FHA/HUD

BLANDEX building products
Blandin Wood Products Company
502 County Road 63
Grand Rapids, MN 55744
(218)327-6333

BLANDEX

LUMBER REPORT

Champion/St. Regis merger deal may not lead to Goliath syndrome

NATIONAL REPORT — The pending merger of Champion International and St. Regis may result in the second largest lumber producer in the forest products industry.

In 1983 Champion produced 1.3 billion board feet of lumber, ranking number four in production, according to *Forest Industries* magazine, which listed St. Regis 14th last year with 583 million board feet.

The 1.9 billion board feet that the companies together produced would have placed them second in production behind Weyerhaeuser with 3.1 billion board feet and ahead for Georgia Pacific, which produced 1.8 billion board feet, according to *Forest Industries*.

The implications of creating such a giant and its impact on the home center industry are not completely clear.

Matt Coleman, engineering editor of *Pulp and Paper* magazine suggested that one less supplier means one less competitor. That kind of change, of course, can affect price and service.

However, John Hall, secretary and vp of the National Forest Products Assn., pointed out that the forest industry is fragmented to the point where no single manufacturer has more than six or seven per cent market share.

Of the Champion-St. Regis transaction he commented, "It's not like General Motors merging with Chrysler."

The larger question that has been raised, though, is whether other companies, perceived as undervalued, will become takeover targets. The Champion won St. Regis on the rebound as that company tried to avoid the clutches of an unwanted suiter, Rupert Murdoch.

There may not be companies within the Forest Products industry with the power to take on a target as Murdoch did, according to Chris Palmer, editor of *Palmer's Lumber and Plywood Forecast*, a newsletter.

"From outside the industry, yes," he continued. "But I don't understand the viability of owning a raw materials company in terms of deflation and the book value of those trees in the woods and the land, which have considerable less value than in 1979."

There is an estimated six million acres of forest land up for sale now. While lumber prices have rebounded some since late July's signal by the Federal Reserve that the money supply will not be tightened, prices were nearing recession-like lows and even with the current bounce they remain off substantially.

"In the 1960's and 70's timberlands were a good inflation hedge," said George Adler, analyst for Smith Barney, Harris Upham. "Even though companies didn't have use for certain types of timber, they accumulated it.

"Then they realized that they didn't get a decent return and the value of the land didn't go up. They all tried to sell at the same time."

Indeed, it is expected that among assets St. Regis may sell are its timberlands. Despite the deflated timberland prices, however, for one forest product company to acquire another could be a matter of perceiving the forest through the trees.

While some suggested that in purchasing St. Regis for an estimated $1.7 billion in cash and stock Champion paid a sharp premium, Adler noted that it could be "cheaper to buy other people than to make the capital investment." Mills do not come cheaply.

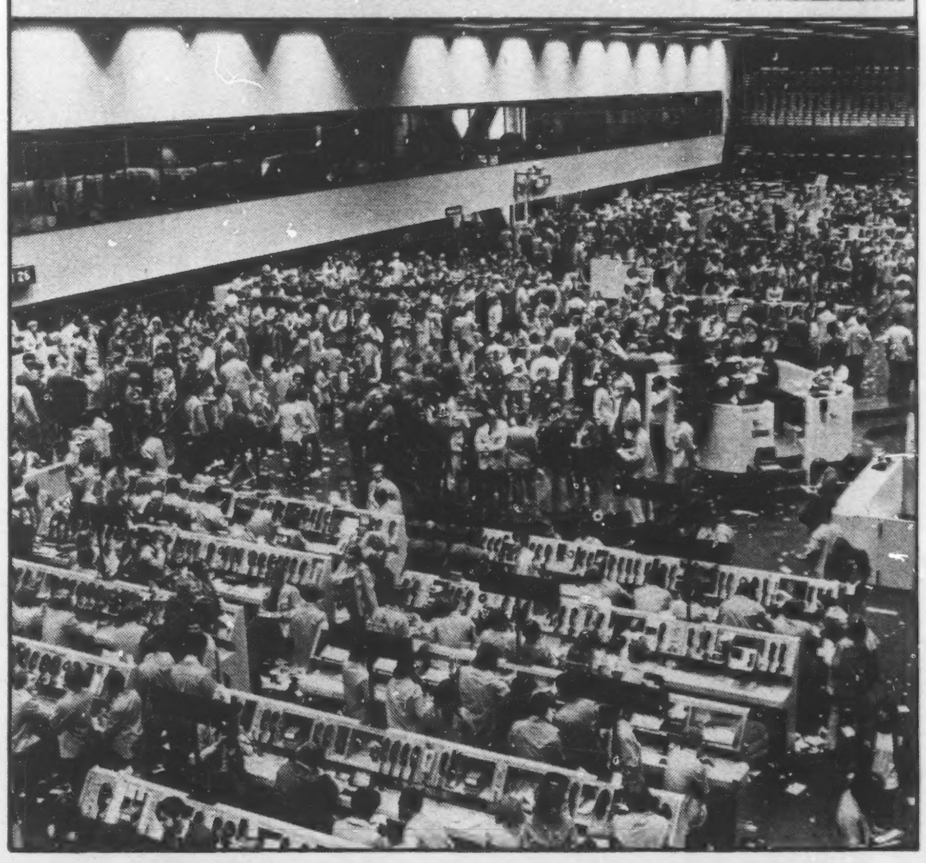
FUTURES

Two weeks ended Sept. 9, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept. '84	144.00	133.20	139.30	137.50	2,419	236.00	115.50
Nov.	151.70	139.40	147.30	143.00	2,836	229.00	121.40
Jan. '85	160.50	148.50	158.10	152.80	936	221.30	131.70
March	169.20	157.50	166.50	162.50	557	220.40	139.30
May	176.20	164.50	173.10	169.00	249	225.00	147.40
July	182.20	172.50	180.00	177.00	236	230.50	153.00
Sept.	186.30	177.50	184.00	181.50	143	197.50	157.50

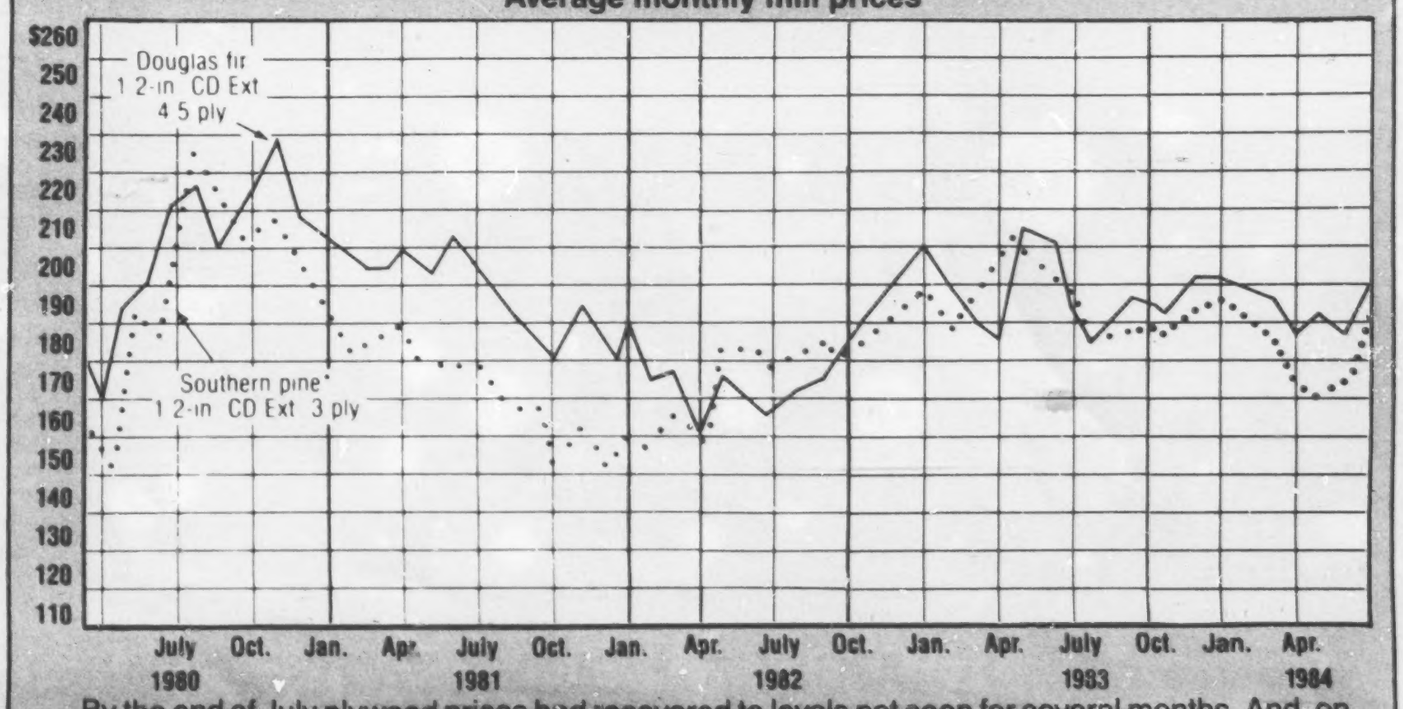
Total Contract Vol. (Through 9/9: 26,154 — Previous Two Weeks: 23,306
Total Open Interest (As of 9/9): 7,407 — Previous Week: 7,090
Cash Price: $144.06 — Previous Week: $136.22 — Year Ago: $161.70

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Sept. 9.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.



Commodity close-up: Western & Southern Plywood

Average monthly mill prices



By the end of July plywood prices had recovered to levels not seen for several months. And, on the strength of optimism concerning interest rates, prices continued upward.

At the end of July, Doug fir ½-in. CD Ext. 4/5 ply was selling for $203 per thousand square feet compared to $188 in June and $190 a year ago. By the second week in August the price was up to $218.

Similarly, Southern pine ½-in. CD Ext. three ply sold for $195 per thousand square feet at the end of July compared to $175 in June and $195 a year ago. In the second week of August the price had risen to $205.

Source: *Random Lengths*